
CHAPTER 3. MORTGAGE CREDIT REQUIREMENTS FOR
SECTION 213(j) SUPPLEMENTARY LOANS

3-1. GENERAL REQUIREMENTS.

- a. Pursuant to Section 213(j) of the National Housing Act, as amended, supplementary cooperative loans may be insured with respect to:
 - (1) A property covered by a mortgage insured under Section 213;
 - (2) Any cooperative housing project covered by a mortgage insured under Section 207 that is in effect prior to the enactment of the Housing Act of 1950;
 - (3) A property purchased from the Federal Government covered by an uninsured mortgage representing a part of the purchase price.
- b. These supplemental loans may be made for the purpose of financing any of the following:
 - (1) Improvements or repairs of the property covered by such mortgage;
 - (2) Community facilities necessary to serve the occupants of the property; or
 - (3) Cooperative purchases and resales of memberships in order to provide necessary refinancing for resales of memberships which involve increases in equity.
- c. The loan is restricted to Management Type Cooperatives and must be secured by a recorded lien against the mortgaged property. To be eligible for a loan to finance the purchase and sale of cooperative membership, at least three years must have elapsed since the final endorsement of original mortgage and the latest insured supplemental cooperative loan for this purpose.

- 3-2. MAXIMUM INSURABLE LOAN. The insurable loan amount shall be in multiples of \$100 and shall not exceed the lowest of the following applicable limitations.

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- a. If the Item is to Finance Improvements or Additional Community Facilities; the lesser of:
- (1) An amount which, when added to the outstanding balance of the insured mortgage and other loans does not exceed the limits set forth under new construction; or
 - (2) 97% of the HUD-FHA estimated value of such improvements and/or additional community facilities; or
 - (3) 100% of the actual cost of the improvements and/or additional community facilities including financing and carrying charges, as approved by the Assistant Secretary-FHA Commissioner and prescribed under the cost certification procedure for Section 213.
- b. If the Loan is to Finance Repairs; the lesser of:
- (1) An amount which, when added to the total unpaid balance of all mortgages and loans insured by the Assistant Secretary-FHA Commissioner on the property, creates a total outstanding indebtedness equal to the original principal obligations of the mortgage; or
 - (2) The HUD-FHA estimate of the cost of the repairs, including financing charges; or
 - (3) The actual cost of the repairs, including financing charges as approved by the Assistant Secretary-FHA Commissioner and prescribed under cost certification procedure for Section 213.
- c. If the Loan is to Finance Cooperative Purchases and Resales of Memberships; the lesser of:
- (1) An amount determined as under paragraph 3-2.a. above, or
 - (2) An amount which, when added to the outstanding balance of the insured mortgage and loans does not exceed 97% of the appraised value of the project for continued use as a cooperative.
- 3-3. AMORTIZATION OF LOAN. The loan must be amortized in accordance with the amortization plan of the original insured mortgage,

(i.e., level annuity or accelerated principal declining annuity). The maturity shall be either 10, 15, 20, 25, 30, 35, or 40 years not to exceed the remaining term of the original insured mortgage. However, in the case of a project mortgage covered by an uninsured mortgage dated more than 20 years prior to date of the commitment to insure a supplementary loan, the supplementary loan may have a maturity date up to ten years in excess of the remaining term of the uninsured mortgage, if such loan is made to finance major rehabilitation or modernization.

- 3-4. DETERMINATION OF MAXIMUM INSURABLE LOAN. The determination of the maximum insurable loan will be made on FHA Form 2264-SL (Format only) in accordance with the instructions in Reference (1) of the Foreword. If the applications involve a supplementary cooperative loan for the purpose of financing or purchases and resales of cooperative memberships, mortgage credit processing is not required beyond the determination of the amount of insurable loan. When improvements, repairs, or community facilities are involved, mortgage credit processing shall be in accordance with Reference (2) of the Foreword for financial requirements for closing, assurance of completion, insurance of advances if applicable, construction changes and cost certification. A determination of the individual member's ability to pay will not be required. This is based on the premise that generally the increase in monthly charge will be nominal, that individual members have been previously approved and accepted, that they are meeting their monthly payments and a comparatively small increase would be inconsequential. Further, it must be assumed they as a group are requesting the increase after taking into consideration the increased charges that will be imposed on them individually.